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QUOTE

S E C R E T ROME 16416

LIMDIS

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SUBJECT: NEW ITALIAN GOVERNMENT

DIA FOR A2 AND D15

PASS TREASURY

REF: ROME 16363

SUMMARY: THE FOURTH MORO GOVERNMENT LEAVES THE POWER

BALANCE WITHIN THE CENTER-LEFT FRAMEWORK. THE MOST NOTABLE

MINISTERIAL SHIFTS ARE THE EXCLUSION OF INTERIOR MINISTER TAVIANI

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AND THE SHIFT OF ANDREOTTI OUT OF THE DEFENSE MINISTRY. THESE

CHANGES HAVE BEEN STRONGLY CRITICIZED BY BOTH THE COMMUNIST AND SOCIALIST PARTIES. THE GOVERNMENT ECONOMIC TEAM IS A PROMISING ONE, ALTHOUGH THE APPOINTMENT OF LEFT-WING CHRISTIAN DEMOCART DONAT-CATTIN AS INDUSTRY MINISTER MAY CREATE PROBLEMS FOR US OIL COMPANIES OPERATING IN ITALY. END SUMMARY.

1. THE FOURTH MORO GOVERNMENT, THE 37TH SINCE THE FALL OF FASCISM, DOES NOT REPRESENT THE SHIFT TO THE LEFT WHICH AN ALL DC GOVERNMENT RELYING ON SOCIALST SUPPORT WOULD HAVE REPRESENTED, NOR THE SHIFT TO THE RIGHT WHICH PSDI PRESIDENT TANASSI WAS ACCUSED OF TRYING TO BRING ABOUT. INSTEAD, A FIRST ANALYSIS OF THE DISTRIBUTION OF PORTFOLIOS REVEALS ANOTHER CAREFULLY BALANCED CREATION OF ITALIAN POLITICS WHICH LEAVES THE POWER BALANCE WITHIN THE CENTER-LEFT FRAMEWORK, AND WITHIN THE DC ITSELF, PRETTY MUCH WHERE IT WAS. HOWEVER, SOME CHANGES ARE SIGNIFICANT AND SEEM TO MAKE POSSIBLE MORE COHERENT POLITICAL AND ECONOMIC POLICIES BY THE GOVERNMENT ITSELF, EVEN THOUGH THE STABILITY OF THE PARLIAMENTARY MAJORITY REMAINS AS QUESTIONABLE AS IT WAS BEFORE.

2. POLITICALLY, THE GOVERNMENT IS FINELY BALANCED BETWEEN THE CHRISTIAN DEMOCRATIC PARTY FACTIONS. THE MOST NOTABLE MINISTERIAL SHIFTS ARE THE DEPARTURE OF TAVIANI FROM INTERIOR, AND ANDREOTTI'S MOVE FROM DEFENSE TO THE NEW COMBINED MINISTRY OF BUDGET AND SOUTHERN DEVELOPMENT. EMBASSY SOURCES AND PRESS COMMENTATORS STATE THAT DC SECRETARY FANFANI HAD SOUGHT A COMPLETE CHANGEOVER IN SENIOR DC MINISTERS, BUT MET WITH STUBBORN RESISTANCE. ACCORDING TO THESE REPORTS COLOMBO REFUSED TO BUDGE FROM HIS KEY TREASURY POST AND WAS LEFT IN PLACE BECAUSE OF THE DIFFICULT ECONOMIC SITUATION. ANDREOTTI RELUCTANTLY LEFT DEFENSE TO ACCEPT THE BUDGET POST, WHICH HAD BEEN AUGEMENTED BY MERGER WITH THE PATRONAGE RICH SOUTHERN DEVELOPMENT PORTFOLIO. TAVIANI REPORTEDLY REFUSED TO ACCEPT A SWITCH TO A DIFFERENCE MINISTRY AND WAS THEREFORE EXCLUDED FROM THE GOVERNMENT.

3. TAVIANI'S DEPARTURE IS SIGNIFICANT BECAUSE OF THE INCREASINGLY CONTROVERSIAL POSITIONS HE HAS TAKEN IN RECENT MONTHS ON INTERNAL SECURITY MATTERS. THESE POSITIONS HAVE PUT TAVIANI AT ODDS WITH FANFANI PARTICULARLY BECAUSE OF THE INTERIOR MINISTER'S GROWING ACCEPTANCE OF THE PROPOSITION THAT FOR PRACTICAL POLICE PURPOSES, ORGANIZED POLITICAL VIOLANECE AND SYSTEMATIC PLOTTING

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AGAINST THE STATE IS ONLY FROM THE FAR RIGHT AND NOT THE LEFT. BOTH THE SOCIALISTS AND COMMUNISTS HAVE CRITIZED TAVIANI'S DEPARTURE AND VOICED SUSPICION REGARDING ITS POLITCAL MEANING. TAVIANI'S SUCCESSOR, LUIGI GUI, IS A POLITICAL ALLY OF PRIME MINISTER MORO AND HAS A REPUTATION AS A FIRM SUPPORTER OF THE ATLANTIC ALLIANCE. HE HAS HELD SEVERAL PREVIOUS MINISTERIAL POSTS AND WAS DEFENSE MINISTER FROM 1968-70.

4. THE SHIFT OF ANDREOTTI FROM DEFENSE TO BUDGET-SOUTHERN DEVELOPMENT HAS THE APPEARANCE OF A DEMOTION. ANDREOTTI'S HANDLING OF NATIONAL INTELLIGENCE SERVICE (SID) AFFAIRS (ROME 15829) WHICH LED TO THE ARREST OF FORMER SID CHIEF MICELI HAD PROVOKED CONSIDERABLE CRITICISM IN MODERATE AND CONSERVATIVE POLITICAL AND MILITARY CIRCLES, AS WELL AS A VIOLENT ATTACK BY THE NEO-FASCIST MSI. THE LEFT HAS CRITICIZED ANDREOTTI'S TRANSFER AS A PUNISHMENT BY FANFANI FOR ANTI-FASCIST POLICIES AIMED AT QUOTE DEMOCRATIZING UNQUOTE THE ARMED FORCES AND THE SID IN PARITUCLAR. THE NEW DEFENSE MINISTER, ARNALDO FORLANI, IS A POLITICAL MODERATE CLOSE TO FANFANI WHO HAS CONSISTENTLY EXPRESSED PRO NATO AND PRO US ATTITUDES. FORLANI WAS DC PARTY SECRETARY FROM 1969-73 AND WORKED CLOSED WITH THE FORMER DEFENSE MINISTER DURING THE PERIOD OF THE ANDREOTTI CENTER GOVERNMENT.

5. MORO'S REPLACEMENT BY RUMOR AT THE FOREIGN MINISTRY WAS GENERALLY EXPECTED, ALTHOUGH THERE HAD ALSO BEEN SPECULATION THAT LA MALFA MIGHT GET THE JOB. WITH MOR AS PREMIER, RUMOR'S POLICIES ARE NOT EXPECTED TO DIFFER FROM THOSE OF HIS PREDECESSOR ON KEY FOREIGN POLICY ISSUES.

6. PARADOXICALLY, THE OBSCURE POLITICAL MANEUVERING WHICH LED TO THE MORO GOVERNMENT LEAVES IT WITH A STRONGER ECONOMIC PROGRAM, ON PAPER, THAN WOULD HAVE BEEN THE CASE HAD THE PROGRAM BECOME THE SUBJECT OF THE HARD BARGAINING LA MALFA WANTED TO MAKE IT. WHEN THE SOCIALISTS SAW THE OPPORTUNITY, DELUDED IN THE EVENT, TO FORM A ONE-PARTY DC GOVERNMENT WITHOUT THE SOCIAL DEMOCRATS, THEY BOUGHT THE FANFANI-MORO ECONOMIC PROGRAM WITHOUT DISCUSSION, AND ARE NOW UNCOMFORTABLY SADDLED WITH A COMMITMENT TO SUPPORT IT. THE GOVERNMENT ECONOMIC TEAM IS A PROMISING ONE: LA MALFA TO COORDINATE IT, AND COLOMBO (TREASURY), VISENTINI (FINANCE) AND ANDREOTTI (BUDGET) TO CARRY IT OUT. VIS-SECRET

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ENTINI IS A NOVELY IN ITALIAN GOVERNMENTS, A GENUINE TECHNICIAN (PRESIDENT OF OLIVETTI, VICE PRESIDENT OF CONFINDUSTRIA), AND THEREFORE KNOWLEDGEABLE IN FISCAL AND COMMERCIAL MATTERS. THE NOTORIOUS DIFFERENCES OF THE PAST TWO GOVERNMENTS BETWEEN SOCIALIST BUDGET MINISTER GIOLITTI AND OTHER MINISTERS ARE NOT LIKELY TO DEVELOP WITHIN THE CABINET, ALTHOUGH PSI DIFFERENCE WITH THE OTHER PARTIES OF THE MAJORITY WILL REMAIN. THE APPOINTMENT OF TOROS TO THE SENSITIVE LABOR MINISTRY REPLACING BERTOLDI (PSI) BRINGS IN A RELATIVELY MODERATE DONAT-CATTIN LIEUTENANT WITH A STRONG TRADE UNION BACKGROUND AND A REPUTATION FOR VIGOR. FOR US INTERESTS, HOWEVER, DONAT-CATTIN AS MINISTER OF INDUSTRY AND CIRIACO DE MITA AS MINISTER OF FOREIGN TRADE MAY PRESENT PROBLEMS. NEITHER IS SYMPATHETIC TOWARD THE US AND DONAT-CATTIN MAY PROVE UNRECEPTIVE TO THE PRICING NEEDS OF US OIL COMPANIES

OPERATING IN ITALY. A CONFRONTATION BETWEEN THE INDUSTRY MINISTER AND THE OIL COMPANIES MAY WELL OCCUR EARLY NEXT YEAR.

7. PERHAPS THE BEST INDICATIONS THAT THE NEW GOVERNMENT DOES NOT INHERENTLY REPRESENT A SHIFT TO THE LEFT ARE THE OPEN SOCIALIST (AND COMMUNIST) UNHAPPINESS WITH SOME OF THE APPOINTMENTS AND THE PROBABILITY THAT THE LIBERAL PARTY WILL ABSTAIN RATHER THAN OPPOSE ON THE PARLIAMENTARY VOTE OF CONFIDENCE DECEMBER 2. THE SOCIALISTS ARE ESPECIALLY UNHAPPY ABOUT THE PLI'S AMBIVALENCE, SINCE IT MAKES THE GOVERNMENT LESS DEPENDENT ON PSI SUPPORT. ON BALANCE, MOST PRO-WESTERN ANALYSTS WILL BE MOVED TO A SIGH OF RELIEF, DESPITE THE DONAT-CATTIN AND DE MITA PROBLEMS. NO FRIEND OF THE WEST WILL REGRET TAVIANI'S DEPARTURE, AND THE PERILS WERE LARGELY OVERCOME IN STEERING BETWEEN A LEFTWARD SHIFT ON THE ONE HAND AND THE RISK OF EARLY ELECTIONS ON THE OTHER. MOST WILL WISH MORO WELL, BUT FEW WOULD RISK A WAGER ON MORE THAN A FEW MONTHS TO UNRAVEL THE SOLIDARITY OF THE CURRENT MAJORITY. VOLPE UNQUOTE INGERSOLL

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